...TION FILED
AUG 28 1995

(3)

No. 95-85

In The

# Supreme Court of the United States

October Term, 1995

REEBOK INTERNATIONAL LTD. and
REEBOK INTERNATIONAL LIMITED,

*Petitioners,*

v.

BANQUE INTERNATIONALE A LUXEMBOURG, S.A.,

*Respondent.*

On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Ninth Circuit

## MOTION FOR LEAVE TO FILE OUT-OF-TIME BRIEF OF AMICUS CURIAE AND BRIEF OF AMICUS CURIAE IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

JOHN R. REESE*
REBECCA A. LENABURG
FRANK B. KENNAMER
McCUTCHEN, DOYLE, BROWN
& ENERSEN
Three Embarcadero Center
San Francisco, California 94111
(415) 393-2000

*Attorneys for Amicus Curiae International AntiCounterfeiting Coalition*

*Counsel of Record

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
OR CALL COLLECT (402) 342-2831

BEST AVAILABLE COPY

25 pp

## MOTION FOR LEAVE TO FILE OUT-OF-TIME BRIEF OF AMICUS CURIAE

The International AntiCounterfeiting Coalition ("IACC") respectfully moves this Court for leave to file out-of-time the IACC's amicus brief in support of the petition for writ of certiorari sought by Reebok International Ltd. and Reebok International Limited.

Petitioners consent to the filing of this brief. Respondent refused to consent, stating that the brief is untimely under Rule 37.2.

The brief is untimely and we beg the Court's indulgence. McCutchen, Doyle, Brown & Enersen, counsel for the IACC, were not engaged in this matter until August 9, 1995, and we were advised that an amicus brief would be due on August 28, 1995. Although the writ petition is dated July 17, 1995, so that respondent's brief in opposition ordinarily would be due on or about August 18, 1995, we were aware that respondent's time to file could be enlarged under Rule 15.2 in conjunction with Rule 30. It was only on August 23rd, upon trying to secure the necessary consent to file the attached brief, that we realized that our understanding of the due date was mistaken. The next day, August 24th, we sent our brief, and this motion, to be printed and lodged with the Court.

The delay is especially regrettable because the IACC's brief brings relevant and salient issues to the Court's attention, issues that are not addressed in the writ petition. The IACC's mission is the protection of intellectual property. As its name declares, however, the IACC approaches the Ninth Circuit's decision from an enforcement perspective that transcends the interests of the parties to this dispute. It views the Ninth Circuit's decision with particular alarm because the decision

erodes the effectiveness of the principal enforcement mechanism available to those, like the IACC's members, who must protect their patents, trademarks, copyrights, trade dress and trade secrets.

As explained in the brief, the Ninth Circuit's decision unnecessarily restricts the reach not only of the Lanham Act, but also of the district court's injunctive power. Moreover, the Ninth Circuit reached its result by a process that is itself unsound, confusing and in conflict with other courts of appeals' decisions as well as a host of settled rules and principles. The attached brief explains and demonstrates the conflicts and the confusion engendered by the Ninth Circuit's decision.

Accordingly, the IACC requests that the Court not summarily reject the filing of the attached brief because of the inadvertence of the IACC's counsel, and that it accept the brief and consider it on the important issues presented by the petition for certiorari.

Respectfully submitted,

---

JOHN R. REESE*
REBECCA A. LENABURG
FRANK B. KENNAMER
McCUTCHEN, DOYLE, BROWN & ENERSEN
Three Embarcadero Center
San Francisco, California 94111
Telephone: (415) 393-2000

*Attorneys for Amicus Curiae The International AntiCounterfeiting Coalition*

*Counsel of Record

August 28, 1995

No. 95-85

In The

# Supreme Court of the United States

October Term, 1995

REEBOK INTERNATIONAL LTD. and
REEBOK INTERNATIONAL LIMITED,

*Petitioners,*

v.

BANQUE INTERNATIONALE A LUXEMBOURG, S.A.,

*Respondent.*

**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Ninth Circuit**

## BRIEF OF AMICUS CURIAE IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

TABLE OF CONTENTS

Page

I. STATEMENT OF AMICUS CURIAE..... 1

II. THE NINTH CIRCUIT'S DECISION IS A BOON TO COUNTERFEITERS BECAUSE IT EVISCERATES THE DISTRICT COURTS' POWER TO ENFORCE THEIR INJUNCTIONS AGAINST NONPARTY AIDERS AND ABETTORS..... 2

III. THE NINTH CIRCUIT'S DECISION CONFLICTS WITH DECISIONS OF THIS COURT AND OTHER COURTS OF APPEALS..... 8

A. Cases Enforcing Injunctions Outside The United States ..... 8

B. Cases Enforcing Injunctions Against Nonparties Outside The District Court's Territorial Jurisdiction ..... 9

C. Cases Holding That Injunctions Are Enforceable Without Registration ..... 12

D. Cases Recognizing The Extraterritorial Effect Of Legislative Decrees..... 14

E. Cases Following The Proper Analysis Of Comity Principles ..... 15

IV. CONCLUSION ..... 18

# TABLE OF AUTHORITIES

Page(s)

CASES

*Burnham v. Superior Court of Cal., Marin County*, 495 U.S. 604 (1990) ..... 9

*California Bankers Ass'n v. Shultz*, 416 U.S. 21 (1974) ..... 5

*In re Grand Jury Proceedings (United States v. Bank of Nova Scotia)*, 691 F.2d 1384 (11th Cir. 1982), *cert. denied*, 462 U.S. 1119 (1983) ..... *passim*

*In re Grand Jury Proceedings (United States v. Bank of Nova Scotia)*, 740 F.2d 817 (11th Cir. 1982), *cert. denied*, 469 U.S. 1106 (1985) .....7, 8

*Leman v. Krentzler-Arnold Hinge Last Co.*, 284 U.S. 448 (1932) ..... 11

*Playboy Enterpises, Inc. v. Baccarat Clothing Co., Inc.*, 692 F.2d 1272 (9th Cir. 1982) ..... 4

*Reebok Int'l, Ltd. v. Marnatech Enters.*, 970 F.2d 552 (9th Cir. 1992) ..... 14

*Regal Knitwear Co. v. NLRB*, 324 U.S. 9 (1965) ..... 15

*Stiller v. Hardman*, 324 F.2d 626 (2d Cir. 1963) ..... 7, 11, 12, 13

*United States v. Davis*, 767 F.2d 1025 (2d Cir. 1985) ..... 8

*United States v. First National City Bank*, 379 U.S. 378 (1965) ..... 8

*United States v. Paccione*, 964 F.2d 1269 (2d Cir. 1992) ..... 10

*United States v. Vetco*, 691 F.2d 1281 (9th Cir. 1981), *cert. denied*, 454 U.S. 1098 (1981) ..... 17

*Waffenschmidt v. Mackay*, 763 F.2d 711 (5th Cir. 1985), *cert. denied sub nom. Currey v. Waffenschmidt*, 474 U.S. 1056 (1986) ..... *passim*

TABLE OF AUTHORITIES – Continued

Page(s)

STATUTES AND RULES

15 U.S.C. § 1116(d) ..... 4

Fed. R. Civ. Proc. 65 ..... *passim*

OTHER AUTHORITIES

*Fact Sheet*, The IACC Update (The International AntiCounterfeiting Coalition, Inc., Washington D.C.) 1995 ..... 4

*Investors Chronicle*, June 24, 1994, *available in* LEXIS, Nexis Library, File ARCNWS ..... 4

John Bliss, *Counterfeiting In The Information Age: A Global Threat To Intellectual Property Protection*, Legal Backgrounder (Washington Legal Foundation, Washington D.C.), August 12, 1943 ..... 3

3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 25.01[5][a] (3rd ed. 1992) ..... 3

*Restatement (Third) of the Foreign Relations Law of the United States* § 421(2)(j) (1987) ..... 17

*Restatement (Third) of the Foreign Relations Law of the United States* § 415, Comment h (1987) ..... 14

*Restatement (Third) of the Foreign Relations Law of the United States*, § 431(1) (1987) ..... 16

*Thomson's International Banking Regulator*, October 12, 1992, *available in* Westlaw, 1994 WL 8377720 ..... 5

World Intellectual Property Organization, *Background Reading Material On Intellectual Property*, 176 (1988) ..... 3

Amicus curiae The International AntiCounterfeiting Coalition ("IACC") respectfully submits this brief in support of the petition for writ of certiorari (the "petition") submitted by Reebok International Limited and Reebok International Ltd. (collectively "Reebok"). The petition raises important and timely questions of the reach and effect of a federal court's injunctive power. The Ninth Circuit's decision unduly restricts this power, conflicts with principles applied by other circuits, and creates confusion in an area that now more than ever requires clarity. Accordingly, the IACC joins Reebok in asking the Court to review the Ninth Circuit's decision.

## I. STATEMENT OF AMICUS CURIAE

The IACC is an organization founded to promote the protection of intellectual property on a worldwide basis through the use of legislation, law enforcement and preventive actions. This protection extends to patents, trademarks, copyrights, trade dress and trade secrets. The IACC's members include manufacturers, associations, product security companies, investigators and attorneys.[1]

---

[1] Amicus's members include companies with technology and intellectual property related trade secrets. Amicus confines its support to Reebok's position that a district court has personal jurisdiction over nonparty "aiders and abettors" to punish them for violating an injunction when the contumacious acts occur outside the United States. No member by joining in and concurring with this brief waives any right or any position it may take or has taken with respect to any past or future issue or litigation, or makes any representation of agreement or disagreement with the position of any other member concerning any other issue or litigation. The position of each member is

The touchstone of the IACC's mission is to combat counterfeiting and piracy by promoting laws, regulations and directives designed to render theft of intellectual property undesirable and unprofitable. It also provides information and training in counterfeit product identification and in the methods of product security to prevent successful abuse of its members' intellectual property rights. Critical to the IACC's purpose is the belief of its members that acts of counterfeiting and piracy can and do cause severe health risks, safety hazards and economic harm. The IACC both initiates actions and supports government actions that will lead to the prosecution of intellectual property infringers.

## II. THE NINTH CIRCUIT'S DECISION IS A BOON TO COUNTERFEITERS BECAUSE IT EVISCERATES THE DISTRICT COURTS' POWER TO ENFORCE THEIR INJUNCTIONS AGAINST NONPARTY AIDERS AND ABETTORS

The Ninth Circuit's decision is bad law, but undoubtedly good news for wrongdoers, particularly international counterfeiters. It subverts the injunctive reach of the district courts over nonparty aiders and abettors and creates a virtual road map for counterfeiters to place their unlawful gains beyond the reach of the courts. Defendant Byron McLaughlin ("McLaughlin") may be subject to contempt, but that was no impediment to wrongly obtaining his millions. This leaves Reebok to bear both the loss and

---

limited to the facts and issues set forth in this brief, and no member by joining in and concurring with this brief takes any position on any issue in this petition which is not addressed herein.

the nearly insurmountable task of attempting to recover them from a defendant who has fled the United States and hidden his ill-gotten gains. Meanwhile Banque Internationale a Luxembourg ("BIL"), which was served and which acknowledged the injunction in the United States at its New York office, but nevertheless defied the court's order by doing "everything it could to ensure that McLaughlin was able to remove his funds from the bank" (App. 31a), cries foul at being called to account for its contempt. And the Ninth Circuit obliges it. In doing so, this case has been elevated from a private dispute between one intellectual property owner and its latest intentional infringer, to a decision which, as discussed below, implicates principles that affect all intellectual property owners' ability to combat piracy. This is no small problem.

Product counterfeiting is a huge national and international problem.[2] The quantity, quality and value of counterfeited goods increases each year as globalized markets facilitate the movement of goods both legitimate and counterfeit.[3] The money that follows and flows from

---

[2] *See, e.g.*, 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 25.01[5][a] (3rd ed. 1992) ("[C]ounterfeiting is not confined to 'luxury' items and is widespread as to a wide range of health and safety related items such as drugs, fertilizers, chemicals, computer components, and auto and aircraft parts. . . . Counterfeiting is a worldwide phenomenon."); The World Intellectual Property Organization (WIPO), *Background Reading Material On Intellectual Property*, 176 (1988) ("The pirating of trademarked products through commercial counterfeiting has reached epidemic proportions in recent years.").

[3] *See* John Bliss, *Counterfeiting In The Information Age: A Global Threat To Intellectual Property Protection*, Legal

counterfeited goods circulates electronically around the world. Offshore banks, in places like Luxembourg, are the repositories of choice for those who would break and evade federal laws such as the Lanham Act. Congress recognized these problems and the harm caused by counterfeiting by including in the Lanham Act procedures specially designed to combat them. *See* 15 U.S.C. § 1116(d) (seizure provisions). If defendants can enlist the assistance of third party banks to avoid injunctions granted to freeze their ill-gotten assets, Congress' remedies will be frustrated and little will be done to "take all economic incentive out of trademark infringement" as the Ninth Circuit itself has previously directed. *Playboy Enterprises, Inc. v. Baccarat Clothing Co., Inc.*, 692 F.2d 1272, 1275 (9th Cir. 1982).[4]

---

Backgrounder (Washington Legal Foundation, Washington D.C.), August 12, 1994, at 4 ("[T]he new Information Age and its associated technologies present not only opportunities but also a growing threat. . . . [T]he digitization of information permits the perfect copying of information – from computer programs, books, CDs, laser disks and video cassettes to apparel."). *See also Fact Sheet*, The IACC Update (The International AntiCounterfeiting Coalition, Inc., Washington D.C.) 1995 ("Between 1982 and 1988, world trade nearly doubled, growing from $3 trillion to over $5 trillion. But U.S. trade revenue losses due to piracy increased 1,100%, from $5.5 billion to $61 billion during that same period. Currently, the IACC estimates the economic cost due to product counterfeiting to exceed $200 billion each year.")

[4] "[L]uxembourg banking deposits are among the highest in the offshore world. Only Switzerland . . . and the Cayman Islands . . . outstrip Luxembourg." *Investors Chronicle*, June 24, 1994, *available in* Westlaw, 1994 WL 8377720. In discussing the failure of the Bank of Credit and Commerce International ("BCCI"), a bank incorporated in Luxembourg, the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and

Given the increase in counterfeiting activity worldwide, and the growing sophistication of counterfeiters in their use of foreign bank accounts to store, launder and secrete their gains, the district courts need the full constitutional scope of their contempt power to prevent and remedy the wrongdoing. The Ninth Circuit's decision hamstrings that power.

Moreover, the Ninth Circuit reaches this bad result by a process that is itself unsound, confusing and in conflict with other courts of appeals' decisions. The court effectively holds that an injunction is not enforceable by contempt if the acts that violate it are done in a jurisdiction whose law conflicts with the injunction. That broad holding cannot be squared with numerous other courts of appeals cases that have recognized that United States decrees – both judicial and legislative – can apply to conduct in a foreign country, and that comity is not blind deference to foreign law and foreign courts. By failing to

---

International Operations issued a report in 1992 which found that bank secrecy laws still prevent an adequate flow of information to help regulators track banks' international operations, that too many offshore banking havens exist in the Grand Caymans, the Bahamas, and the Channel Islands, among others, and that lax regulation in jurisdictions like Luxembourg contribute to the ability of banks like BCCI to perpetrate fraud and manipulation. *Thomson's International Banking Regulator*, October 12, 1992, *available in* LEXIS, Nexis Library, File ARCNWS. *See also California Bankers Ass'n v. Shultz*, 416 U.S. 21, 27 (1974) (recognizing concern about "serious and widespread use of foreign financial institutions, located in jurisdictions with strict laws of secrecy as to bank activity, for the purpose of violating or evading domestic, criminal, tax and regulatory enactments.").

limit comity to its proper role, the Ninth Circuit decision creates confusion and uncertainty that serves no end but to aid wrongdoers.

Indeed, the decision is even more problematic. Given the Ninth Circuit's preoccupation with whether the injunction was "registered" in Luxembourg, and whether the release of funds was permitted or required by Luxembourg law, McLaughlin himself could have avoided contempt sanctions by claiming to be under conflicting commands from two tribunals despite the court's finding by clear and convincing evidence that he had knowingly violated the injunction. In other words, the Ninth Circuit's decision appears to create a right not to comply with an injunction regardless of jurisdiction. That result is obviously wrong and unacceptable. That in itself requires this Court's attention.

There is more. The Ninth Circuit's decision conflicts with a host of other settled rules and principles:

First, it undermines the force of Rule 65, which specifically makes a federal court injunction binding on nonparties "in active concert or participation" with the defendant. The Ninth Circuit's refusal to give effect to this provision directly conflicts with the Fifth Circuit's decision in *Waffenschmidt v. Mackay*, 763 F.2d 711 (5th Cir. 1985), *cert. denied sub nom. Currey v. Waffenschmidt*, 474 U.S. 1056 (1986). This Court should resolve the conflict.

Second, the decision imposes an impossible and unnecessary condition on the vitality of injunctive power – that an injunction need not be honored unless it is "registered" wherever defendants and their aiders and abettors choose to act. This holding conflicts with the

Second Circuit's decision in *Stiller v. Hardman*, 324 F.2d 626 (2d Cir. 1963). The Ninth Circuit's approach is not the law in the United States and it should not be the law when applied to Luxembourg or any other foreign country. If it is to be the law when applied outside the United States, this Court should say so and, again, provide a coherent rationale.

Third, the decision gives less force to judicial injunctions than to legislative enactments without explanation. Congress has the power to reach acts done in foreign countries by foreign nationals that have substantial effects in the United States. Many cases say so. A court's power to enforce its own injunction should be subject to the same analysis. If not, a coherent explanation from this Court is needed.

Finally, the decision fails properly to apply the principle of comity, by ignoring the balancing test that has been consistently applied in similar cases. *E.g., In re Grand Jury Proceedings (United States v. Bank of Nova Scotia)*, 691 F.2d 1384 (11th Cir. 1982), *cert. denied*, 462 U.S. 1119 (1983). Instead, the Ninth Circuit simply put its thumb on the scale and held that deference to foreign law outweighs all. The Court should grant the petition to eliminate the conflict and to reaffirm the principles that govern such cases.

Clear signposts are needed to instruct lower federal courts as to the permissible scope and reach of injunctive decrees under Rule 65(d). The Court should grant Reebok's petition.

## III. THE NINTH CIRCUIT'S DECISION CONFLICTS WITH DECISIONS OF THIS COURT AND OTHER COURTS OF APPEALS

### A. Cases Enforcing Injunctions Outside The United States

This Court and other courts of appeals have squarely held that a district court may enjoin activities in a foreign country. *See, e.g., United States v. First National City Bank,* 379 U.S. 378, 384 (1965) ("district court has the authority to order [party before it] to 'freeze property' under its control, whether the property be within or without the United States"); *United States v. Davis,* 767 F.2d 1025, 1038 (2d Cir. 1985) ("well-settled that a federal court has the power to enjoin a party before it from pursuing litigation before a foreign tribunal"); *In re Grand Jury Proceedings (United States v. Bank of Nova Scotia), supra,* 691 F.2d 1384 (affirming contempt order against Canadian bank for failure to produce documents at its Bahamas branch notwithstanding that compliance would require the bank to violate Bahamian law).

On its face, the Ninth Circuit's decision is in direct conflict with these holdings. The court's attempt to distinguish the *Bank of Nova Scotia* cases as "concerning the failure of a foreign bank with United States branches to comply with a federal district court's orders" (App. 53a, n.5) is simply wrong. BIL, too, has a United States office (App. 2a), a fact that the Ninth Circuit inexplicably ignores.[5]

---

[5] BIL obviously conducts business in New York, otherwise what reason could there be for its office? Even if, as the Ninth

Moreover, under the Ninth Circuit's analysis, the presence or absence of a United States branch is irrelevant. If, as the court holds, a conflicting foreign law or order is sufficient by itself to allow BIL to avoid compliance with a United States injunction, what difference does it make that it has a branch in the United States? Certainly, the Ninth Circuit's decision does not explain it.

### B. Cases Enforcing Injunctions Against Nonparties Outside The District Court's Territorial Jurisdiction

Rule 65(d) of the Federal Rules of Civil Procedure makes an injunction binding "upon those persons in active concert or participation with" the defendant – that is, nonparty aiders and abettors over whom the court has not acquired personal jurisdiction. If a court had personal jurisdiction over potential aiders and abettors, it could bind them directly; Rule 65(d) would be superfluous.

---

Circuit assumes, an injunction has only nationwide scope, BIL is present in the United States. Indeed it advertises that presence (CR 192), and its New York office was served with the injunction. *See Burnham v. Superior Court of Cal., Marin County*, 495 U.S. 604, 619 (1990) (Valid predicate for personal jurisdiction is that defendant was personally served while present in the forum state). *Burnham* suggests that the Ninth Circuit was wrong in reviewing the assertion of personal jurisdiction over BIL solely as a question of contacts (App. 52a), because "jurisdiction based on physical presence alone constitutes due process. . . . " 495 U.S. at 619. If BIL's presence, advertising and knowledge of service of the injunction are not enough to bind it (or do not bind it), how is one to know how to enforce an injunction?

The Fifth Circuit recognized the effect of Rule 65(d) in *Waffenschmidt v. Mackay, supra,* 763 F.2d 711. Specifically, the court held that nonparties who reside outside the territorial jurisdiction of a district court may be subject to that court's contempt power if, with actual notice of the court's order, they actively aid and abet a party in violating it. *Id.* at 714. The court explained that the district court had "inherent authority to enforce its own injunctive decrees," *Id.* at 716, and that Rule 65(d) "could easily be thwarted if a court could only enforce its injunctions over nonparty aiders and abettors who resided within the court's territory." *Id.* at 717. Moreover, the contemnors' conduct with respect to the court's order was itself sufficient to confer personal jurisdiction under the traditional "minimum contacts" standard: they dissipated assets outside the forum knowing they were subject to marshaling within the forum, and therefore they could foresee being haled into court in the forum. *Id.* at 723.[6]

That is so here. In addition to BIL's advertised presence in the United States, BIL was personally served with the injunction both at its New York office and its office in Luxembourg. It knew that McLaughlin's assets were restrained, yet it "assisted McLaughlin in creating and

---

[6] The Second Circuit has articulated a similar position. In *United States v. Paccione,* 964 F.2d 1269 (2d Cir. 1992), the court held that a nonparty was subject to a contempt order for violating a restraining order of which he had notice. In *Paccione,* as here, the nonparty had "interfered with the *res,* the disposition of which the district court had specifically restricted." *Id.* at 1275. The court noted that it had the power to bind nonparties to the terms of an injunction "to preserve its ability to render a judgment in a case over which it has jurisdiction." *Ibid.*

devising a scheme that would allow McLaughlin to get around the court order" (App. 28a) and did "everything it could to ensure that McLaughlin was able to remove his funds from the bank." (App. 31a) McLaughlin's actions are a paradigm of how a defendant can enlist the aid of cooperative nonparties like BIL to frustrate a district court's order. By finding a bank in a jurisdiction that will not honor a United States court injunction, counterfeiters can protect and keep their ill-gotten gains. BIL's actions exemplify the very reason for Rule 65(d).

The decision below cannot be squared with *Waffenschmidt*. The court tried to explain away the apparent conflict by saying that *Waffenschmidt* turned on the " 'simple fact that the mandate of a injunction issued by a federal district court runs nationwide.' " (App. 54a) But the same is true here. BIL was served with the nationwide order in New York.

The difference, if any, is that the only tangible evidence of BIL's acts assisting McLaughlin to defy the injunction occurred outside the United States, in Luxembourg. This difference is not dispositive. In fact, the Ninth Circuit has confused the fact of a violation with its location, and treated an intangible account in a multinational bank as if it were tangible property with a fixed location in Luxembourg. This is plain analytical error. *See Leman v. Krentzler-Arnold Hinge Last Co.*, 284 U.S. 448, 452 (1932) ("the contempt lay in the fact, not in the place of the disobedience to the requirement"); *Stiller v. Hardman, supra*, 324 F.2d at 628 ("[v]iolation of an injunctive order is cognizable in the court which issued the injunction

regardless of where the violation occurred"). By emphasizing the place of the violation, the court simply ignores the fact that it occurred. Indeed, the court makes the place of the violation dispositive of whether it occurred at all. This upside down approach begs the question and is clearly wrong.

The conflict between the Ninth Circuit's decision and *Waffenschmidt* presents an important question on the enforcement of district court injunctions. This Court should review the question and resolve the conflict.

### C. Cases Holding That Injunctions Are Enforceable Without Registration

The Ninth Circuit's preoccupation with the place of the violation led it to another error that conflicts with established law. The court holds that BIL was not bound to respect the injunction because it was not registered in Luxembourg. But an injunction cannot be registered in Luxembourg.[7] Thus, under the Ninth Circuit's analysis, the prospect of binding BIL, despite its notice of the terms of the injunction, despite its office in New York, and despite its obvious assistance of McLaughlin, was illusory.

The Ninth Circuit's approach is legally wrong, as well as unrealistic. An injunction need not be registered to bind nonparties. As the Second Circuit held in *Stiller v. Hardman, supra*:

---

[7] The Ninth Circuit knew the injunction was not enforceable under Luxembourg procedure. (App. 56a)

> Violation of an injunctive order is cognizable in the court which issued the injunction, regardless of where the violation occurred . . . . [T]he Ohio district court had power to punish a violative infringement though the infringement took place in New York. There is therefore no such need for registration of injunctive orders as there is for registration of money judgments.

324 F.2d at 628. *See also Waffenschmidt, supra,* 763 F.2d at 721.

Again the Ninth Circuit's decision is in square conflict with the decision of another court of appeal, and again the Ninth Circuit got it wrong. Since an injunction need not be registered in the United States, there is no reason to make it the *sine qua non* of injunctive vitality in a foreign country.[8]

---

[8] Although the Ninth Circuit ultimately expresses its conclusion in terms of lack of personal jurisdiction over BIL (App. 50a, 61a), its actual analysis makes personal jurisdiction irrelevant. The factors upon which the Ninth Circuit relied to find that BIL was not obliged to abide by the injunction – failure to register and a conflicting command from a foreign court – would exist independently of personal jurisdiction. Thus, under the Ninth Circuit's analysis, BIL was either free to disregard the injunction despite the existence of personal jurisdiction or bound to obey it despite its supposed infirmity in Luxembourg. If BIL were free to disregard the injunction, then personal jurisdiction is irrelevant. If BIL were bound to obey it, then the lack of registration and the conflicting command of the Luxembourg court cannot be relevant in determining whether the district court had the power to enforce its injunction. These considerations come into play, rather, when the court determines whether it should, consistent with principles of comity, enforce the violation of its injunction through a contempt order. *See* Section E, below.

### D. Cases Recognizing The Extraterritorial Effect Of Legislative Decrees

Congress has long exercised the power to prescribe rules of law concerning conduct outside the United States that has or is intended to have a substantial effect within the United States. Many decisions of this Court have explicitly recognized this power. (Pet. 12, n.13) Indeed, the statute on which the underlying case here is based, the Lanham Act, applies to acts in a foreign country, as the Ninth Circuit itself recognized. (App. 51a, citing *Reebok Int'l, Ltd. v. Marnatech Enters.*, 970 F.2d 552, 554-57 (9th Cir. 1992))

A judicial decree can also be an exercise of prescriptive jurisdiction. For example:

> Antitrust enforcement often involves not only findings of violation and assessment of damages, but also judicial decrees prescribing or enjoining future conduct. . . . Though such orders are issued by courts in exercise of equity powers, they are in a real sense a second exercise of jurisdiction to prescribe. For purposes of international law they are subject to the same constraints and require the same evaluations under §§ 402 and 403 as the initial determination by Congress to apply United States law.

*Restatement (Third) of the Foreign Relations Law of the United States* § 415, Comment h (1987).

The same is true of the district court's injunction in this case, yet the Ninth Circuit does not discuss the matter. Thus, while the underlying legislative proscription applies outside the United States, the Ninth Circuit holds that the judicial power to remedy violations does

not. The result is an unwarranted curtailment of judicial power, and the creation of an arbitrary, unexplained distinction between legislative and judicial power.[9] There is no principled basis for this distinction. The point is obviously important, and this Court should grant certiorari to address it.

### E. Cases Following The Proper Analysis of Comity Principles

The Ninth Circuit made the existence of conflicting foreign law dispositive. In effect, Luxembourg law was a *per se* defense to the charge of contempt for deliberately aiding and abetting violations of a United States district court injunction. The Ninth Circuit's *per se* approach is inconsistent with the proper, and previously settled, approach to resolving issues implicating interests of foreign states.

Rule 65(d) ensures that a party "may not nullify a decree by carrying out prohibited acts through aiders and abettors." *Regal Knitwear Co. v. NLRB*, 324 U.S. 9, 14 (1965). This power, in turn, is not nullified, though it may be restrained, because the activities occur in a foreign country and ostensibly under command of foreign law. The Eleventh Circuit, for example, has held that a district

---

[9] This sends entirely the wrong signal. The United States in recent years has been heavily involved in seeking cooperation abroad with its intellectual property laws. The Ninth Circuit's decision effectively undermines this process. On the one hand, the government is telling countries that they will be subject to economic sanctions if they do not comply; on the other hand, the Ninth Circuit is telling them that their laws are paramount.

court may properly compel a Canadian bank to produce documents located at the bank's Bahamas branch even when compliance would subject the bank to criminal sanctions in the Bahamas. *In re Grand Jury Proceedings (United States v. Bank of Nova Scotia), supra,* 691 F.2d 1384. *See also In re Grand Jury Proceedings (United States v. Bank of Nova Scotia),* 740 F.2d 817 (11th Cir. 1984), *cert. denied,* 469 U.S. 1106 (1985). In the earlier of these cases, the Eleventh Circuit first analyzed whether the district court had the power, consistent with due process, to compel the bank to violate the law of a foreign sovereign. 691 F.2d at 1389. Once satisfied that such power existed, the court then weighed the applicable (Restatement) factors in deciding whether the principle of comity required that enforcement be denied. 691 F.2d at 1389-1391; 740 F.2d at 826-829. In both cases, the court concluded that the principle of comity did not preclude enforcement of the subpoenas. 691 F.2d at 1391; 740 F.2d at 829.

Obviously, the result in those cases conflicts with the result in this case. Equally important as the conflict in results, however, is the conflict in the way the results were reached. The Eleventh Circuit conducted a proper analysis; the Ninth Circuit did not.

Whether the Luxembourg court's order (or the lack of registration) counseled against enforcement of the injunction required such analysis. Since the district court's injunctive decree was a proper exercise of its jurisdiction to prescribe, it was entitled to "employ judicial . . . measures to . . . punish noncompliance"[10] when

---

[10] *Restatement (Third) of the Foreign Relations Law of the United States,* § 431(1) (1987).

BIL "carried on outside the state an activity having a substantial, direct, and foreseeable effect within the state,"[11] *i.e.*, when it knowingly assisted in the violation of the injunction. At this point, the principle of comity would be decisive in deciding whether to punish BIL's violation. The Ninth Circuit missed this analytical step.

The limitations now set forth in § 403 of the Restatement (Third) form the basis of a balancing test that the Ninth Circuit itself has employed in similar cases. *See, e.g., United States v. Vetco*, 691 F.2d 1281 (9th Cir. 1981), *cert. denied*, 454 U.S. 1098 (1981). In *Vetco*, the Ninth Circuit held that a district court could enforce through contempt and sanctions a summons issued by the Internal Revenue Service to obtain records of Swiss subsidiaries of Vetco, an American firm. Vetco argued it should be excused from compliance because it would result in criminal liability in Switzerland. The court, in balancing the Restatement factors to determine "whether foreign illegality ought to preclude enforcement" of the summons, held that the interest of the United States in enforcement outweighed the contrary Swiss interest. *Id. at* 1291.

The Ninth Circuit should have applied that same test here. Instead, it blindly deferred to Luxembourg law without balancing the relevant factors. The *Bank of Nova Scotia* cases and *Vetco* suggest that the Ninth Circuit deferred to an unreasonable and inappropriate degree.

The Court should grant Reebok's petition to clarify the analysis and to reaffirm the principle that a conflict of

---

[11] *Restatement (Third) of the Foreign Relations Law of the United States* § 421(2)(j) (1987).

laws is not an absolute bar to a court's exercise of its power.

## IV. CONCLUSION

The Ninth Circuit's decision conflicts in several substantial ways with decisions of this Court and other courts of appeals. The issues are of vital importance to the lower courts' ability effectively to enforce their own injunctions. That power is in turn vital to remedying and preventing the use of off-shore banks as safe havens for counterfeiters. Reebok's petition should be granted.

Respectfully submitted,

JOHN R. REESE*
REBECCA A. LENABURG
FRANK B. KENNAMER
McCUTCHEN, DOYLE, BROWN
& ENERSEN
Three Embarcadero Center
San Francisco, California 94111
Telephone (415) 393-2000

*Attorneys for Amicus Curiae International AntiCounterfeiting Coalition*

*Counsel of Record

August 28, 1995